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STATISTICS

Communications Industry Forecasts of Business Conditions - Results of April 2007 Survey on "Overall Results of Japan's Communications Industry" (Prompt Report) -

MIC has compiled the results (prompt report) of the survey on "overall results of Japan's communications industry (telecommunications and broadcasting)," conducted in April 2007, for the first quarter of FY2007 (Q-I) and the second quarter of FY2007 (Q-II).

- The sales forecast diffusion index (DI)*1 shows: the telecommunications carriers and cable TV operators continue to be in "plus" (meaning that a majority of carriers and operators expecting an increase of sales). Commercial broadcasters remain in "minus."

- The business conditions diffusion index (DI)*2 shows: the telecommunications carriers and cable TV operators continue to be in "plus" (meaning that a majority of carriers and operators expecting an increase of business conditions). Commercial broadcasters continue to be in "minus."

Notes
*1: Sales forecast diffusion indices (DIs): the "percentage points of companies saying that their sales amounts are increasing compared to the previous quarter" minus the "percentage points of companies saying that their sales amounts are decreasing compared to the previous quarter."

*2: Business conditions diffusion indices (DIs): the "percentage points of companies saying that business conditions are improving compared to the previous quarter" minus the "percentage points of companies saying that business conditions are worsening compared to the previous quarter."

The survey on overall results of Japan's communications industry

The survey on the "overall results of Japan's communications industry" is designed to grasp the business trends in the communications industry (telecommunications and

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broadcasting). The survey has been carried out on sales, sales forecasts etc. since April 1995.

Businesses surveyed:
The number of surveyed businesses for each type of business (telecommunications carriers and broadcasters) is calculated proportionally with the type's share in revenues for FY2005. To be statistically significant, the sampling number, as calculated from the number of parent populations in the communications industry, is set at 133. The businesses surveyed are sampled in descending order from the one with the largest sales down to the 133rd one.

Survey method:
Conducted by questionnaires (mailing of survey card, responses by businesses via fax or the Internet).

Survey topics:
1) Sales, financial position and business conditions forecasts conducted in July, October, January and April
2) Sales conditions conducted every month

Response rate (for current prompt indices):

Type of Business	Number of operators surveyed	Number of responses	Response rate (%)
Communications industry overall	133	98	73.7
Telecommunications	63	46	73.0
Broadcasting	70	52	74.3
Commercial broadcasting	50	38	76.0
Cable casting	20	14	70.0

Sales forecasts

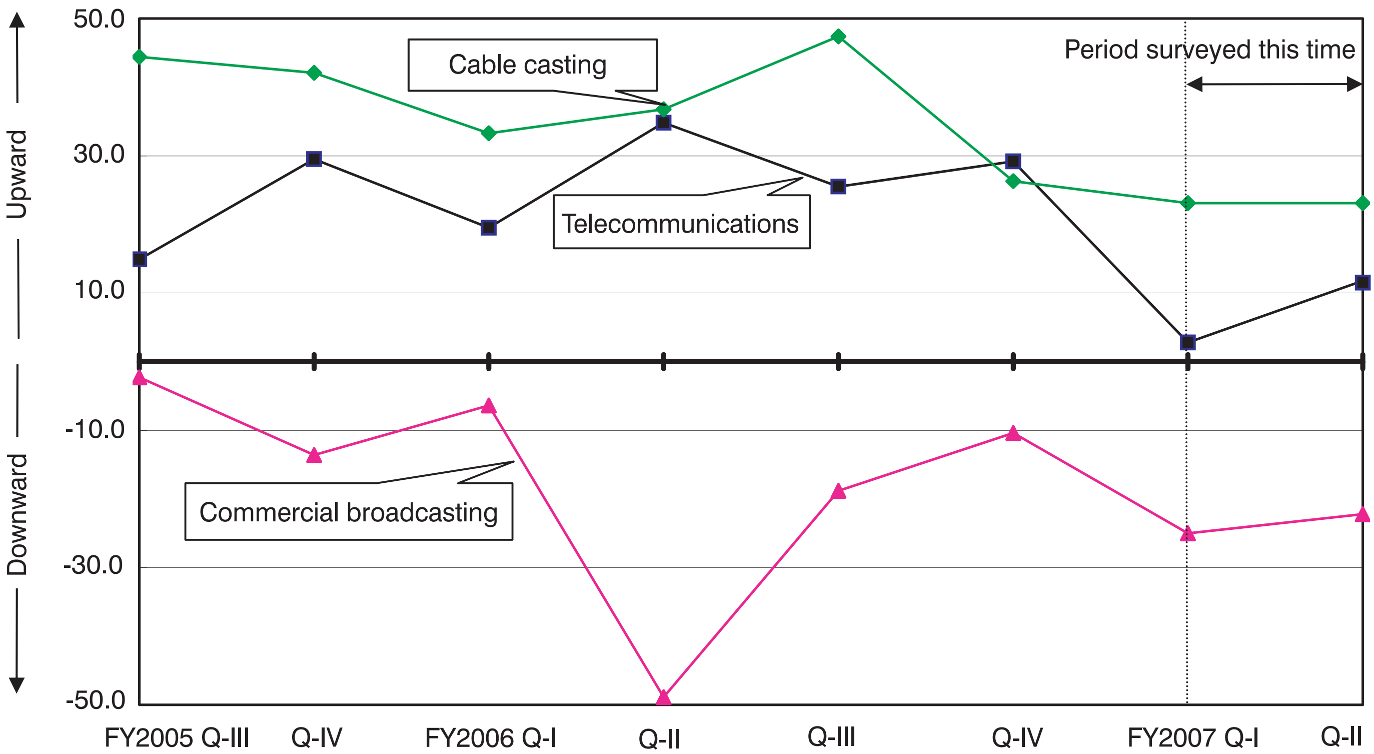
The sales forecast diffusion indices (DIs) in first and second quarters of FY2007 indicate the following:
- Telecommunications carriers continue to indicate a positive trend (a majority of operators expecting an increase in sales), with figures of +2.8 for Q-I and +11.8 for Q-II.
- The commercial broadcasting business remains on a negative trend (a majority of operators expecting a decrease in sales), with figures of -25.0 for Q-I and -22.2 for Q-II.
- Cable casting continues to show a positive trend, with figures of +23.1 for both Q-I and Q-II.

Table 1 Sales forecast diffusion indices

Type of Business	FY2005		FY2006				FY2007	
	Q-III	Q-IV	Q-I	Q-II	Q-III	Q-IV	Q-I	Q-II
Telecommunications	14.9	29.5	19.5	34.8	25.5	29.2	**2.8**	**11.8**
Broadcasting	11.5	3.2	4.6	▲24.2	0.0	0.0	▲12.2	▲10.2
Commercial broadcasting	▲2.3	▲13.6	▲6.4	▲48.9	▲18.8	▲10.4	**▲25.0**	**▲22.2**
Cable casting	44.4	42.1	33.3	36.8	47.4	26.3	**23.1**	**23.1**
(Reference)								
All industries	16.1	13.4	0.1	21.5	14.4	13.9	4.2	16.9

Notes:
1. The sales forecast diffusion index (DI) indicates the "percentage points of companies saying that their sales amounts are increasing compared to the previous quarter" minus the "percentage points of companies saying that their sales amounts are decreasing compared to the previous quarter."
2. Indices for Q-I and Q-II of FY2007 are estimated at the end of Q-IV of FY2006. Other indices are estimated as of the end of the previous quarter.
3. Figures for "all industries" are those for sales forecasts of large-scale corporations, excerpted from the "Business Outlook Survey (January through March 2007)" of the Economic and Social Research Institute, Cabinet Office, and the Policy Research Institute, Ministry of Finance.

Fig.1 Trends in sales forecast diffusion indices



Financial position forecasts

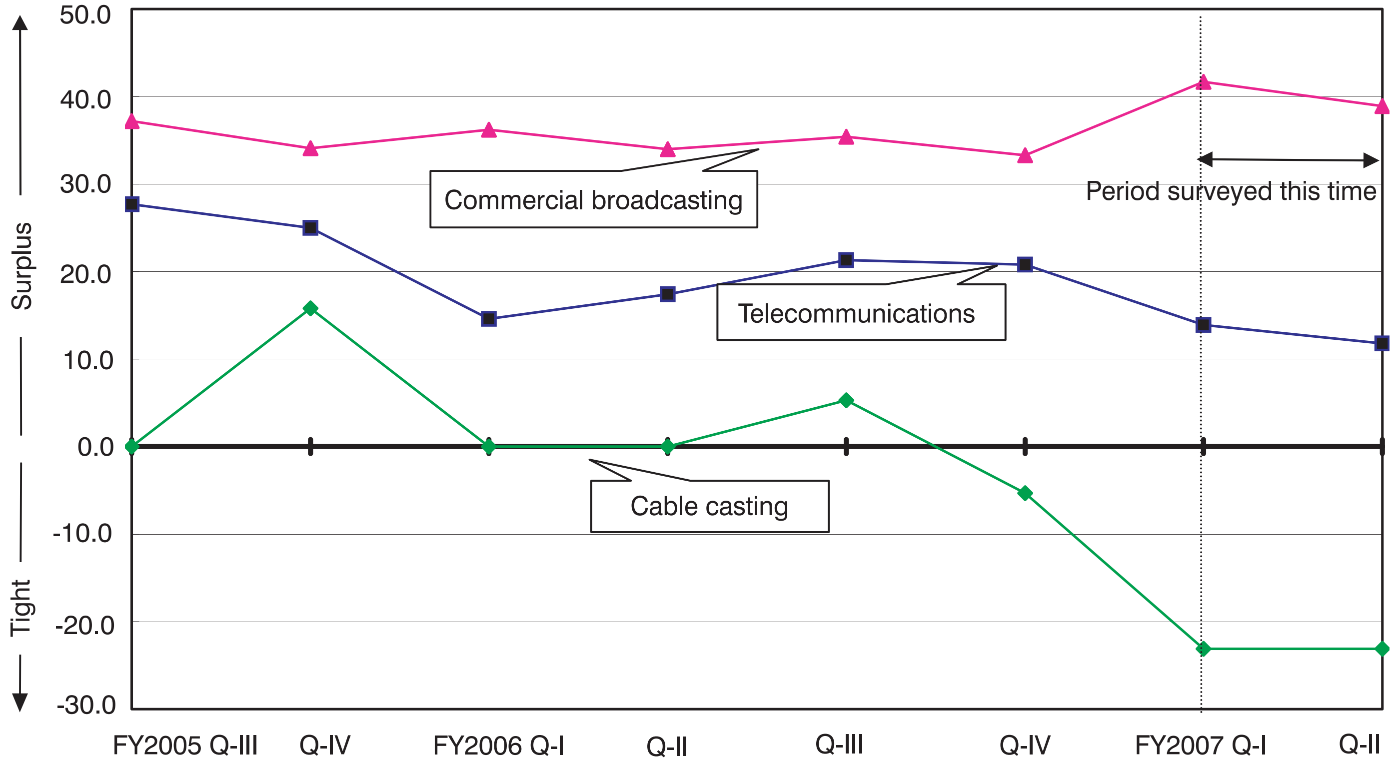
The financial position indices for Q-I and Q-II of FY2007 are as follows:
- The telecommunications and commercial broadcasting businesses continue to retain a positive trend (their financial positions are in surplus).
- The cable television business continues on a negative trend (their financial positions are in tight), with figures of -23.1 for both quarters.

Table 2 Financial position diffusion indices

Type of Business	FY2005		FY2006				FY2007	
	Q-III	Q-IV	Q-I	Q-II	Q-III	Q-IV	Q-I	Q-II
Telecommunications	27.7	25.0	14.6	17.4	21.3	20.8	13.9	11.8
Broadcasting	26.2	28.6	25.8	24.2	26.9	22.4	24.5	22.4
Commercial broadcasting	37.2	34.1	36.2	34.0	35.4	33.3	41.7	38.9
Cable casting	0.0	15.8	0.0	0.0	5.3	▲5.3	▲23.1	▲23.1
(Reference)								
All industries	3.6	3.3	3.5	2.5	0.9	2.6	1.6	2.4

Notes
1. The financial position diffusion index (DI) indicates the "percentage of companies saying that their financial position is in surplus compared to the previous quarter" minus the "percentage of companies saying that their financial position is tight compared to the previous quarter."
2. Indices for Q-I and Q-II of FY2007 are estimated at the end of Q-IV of FY2006. Other indices are estimated as of the end of the previous quarter.
3. Figures for "all industries" are those for sales forecasts of large-scale corporations, excerpted from the "Business Outlook Survey (January through March 2007)" of the Economic and Social Research Institute, Cabinet Office, and the Policy Research Institute, Ministry of Finance.

Fig.2 Trends in financial position diffusion indices



Business conditions forecasts

The business condition (by companies) indices for Q-I and Q-II of FY2007 are as follows:

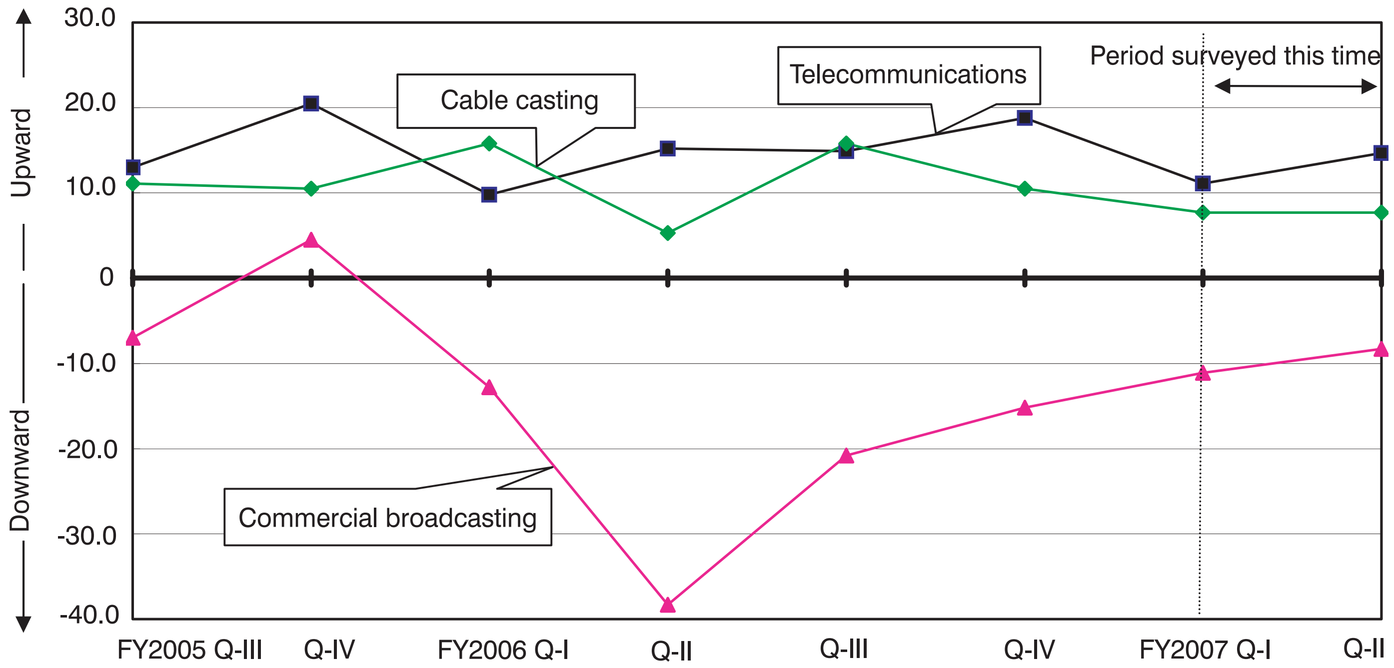
- The telecommunications business continues to show an upward trend (a majority of companies anticipating an improvement in business conditions), with figures of +11.1 for Q-I and +14.7 for Q-II.
- The commercial broadcasting business continues to show a downward trend (a majority of companies anticipating a worsening of business conditions), with figures of -11.1 for Q-I and -8.3 for Q-II.
- The cable television business continues to show an upward trend with a figure of +7.7 for both quarters.

Table 3 Indices for forecasts on business conditions

Type of Business	FY2005		FY2006				FY2007	
	Q-III	Q-IV	Q-I	Q-II	Q-III	Q-IV	Q-I	Q-II
Telecommunications	13.0	20.5	9.8	15.2	14.9	18.8	**11.1**	**14.7**
Broadcasting	▲ 1.6	6.3	▲4.5	▲25.8	▲10.4	▲7.7	▲6.1	▲4.1
Commercial broadcasting	▲ 7.0	4.5	▲12.8	▲38.3	▲20.8	▲15.2	**▲11.1**	**▲8.3**
Cable casting	11.1	10.5	15.8	5.3	15.8	10.5	**7.7**	**7.7**
(Reference)								
All industries	10.5	6.1	1.8	10.5	6.4	6.2	4.2	9.9

Notes
1. The business conditions diffusion index (DI) indicates the "percentage points of companies saying that business conditions are improving compared to the previous quarter" minus the "percentage points of companies saying that business conditions are worsening compared to the previous quarter."
2. Indices for Q-I and Q-II of FY2007 are estimated at the end of Q-IV of FY2006. Other indices are estimated as of the end of the previous quarter.
3. Until the FY2005 survey, the survey was on "Business Conditions in the Industry"
4. Figures for "all industries" are those for sales forecasts of large-scale corporations, excerpted from the "Business Outlook Survey (January through March 2007)" of the Economic and Social Research Institute, Cabinet Office, and the Policy Research Institute, Ministry of Finance.

Fig. 3 Trends in indices for forecasts on business conditions



TOPICS

Moving Towards Setting Up of "Specified Ubiquitous Districts"

MIC has decided to set up "Specified Ubiquitous Districts," based on the ICT Reform Development Program (April 20, 2007) and the ICT International Competitiveness Enhancement Program (May 22, 2007). Scheduling and other information related to the establishment of these "Specified Ubiquitous Districts" have now been determined and are as shown below.

Establishment of "Specified Ubiquitous Districts"

(1) Characteristics of "Specified Ubiquitous Districts"

"Specified Ubiquitous Districts" will, in addition to putting in place an environment where world-leading ICT services can be developed and tested, work towards international development based on a Japanese initiative through cooperation with other countries in "Specified Ubiquitous Sister Districts."

(2) Positioning of "Specified Ubiquitous Districts"

1) Designated as a measure for strengthening international competitiveness in the ICT Reform Development Program announced by the MIC minister in April this year.
2) Included in the ICT International Competitiveness Enhancement Program that was formulated and announced in May this year.

(3) Estimated schedule for setting up of "Specified Ubiquitous Districts"

1) By the end of August: Consider support measures in the FY2008 budget request and investigate the usable frequency bands
2) September - October: Announce the results of investigations in topic 1) and invite submission of requests related to "Specified Ubiquitous Districts"
3) From November: Lobby relevant government ministries and agencies and foreign countries
4) By January: Setting up of "Specified Ubiquitous Districts" (announcement of areas, contents, frequencies, etc.)

Locations where "Specified Ubiquitous Districts" will be implemented

The locations where "Specified Ubiquitous Districts" will be implemented will include Hokkaido, Okinawa, areas with a concentration of research and development facilities, and locations where there is multiple testing of projects, as per the ICT International Competitiveness Enhancement Program.

In concrete terms, the locations will be designated at the city, town and village level (this will include cases where several cities, towns and villages are straddled).

In addition, in terms of areas where there is a concentration of research and development facilities, this is planned to be in locations where there are multiple (1) corporate R&D centers, (2) R&D centers operated by independent administrative agencies, or (3) university research laboratories, working on ICT research and development.

Implementation period for "Specified Ubiquitous Districts"

The "Specified Ubiquitous Districts" will be set up within FY2007 and the implementation period will be until the end of FY2010.

Outline of "Specified Ubiquitous Districts" (from the ICT Reform Development Program)

1. Objective

Along with establishing a new model that can be developed globally through a Japanese initiative by making use of the ubiquitous network technologies in which Japan is a world leader to develop internationally leading edge services and promote their testing, contributing to the realization of a life of plenty for the people

2. Outline

(1) Overall project

In conjunction with the creation of new values, the implementation of the development and testing of services that will merge and coordinate fixed communications, mobile communications, contents and applications.

(2) Radio wave usage

(a) With regard to the expansion of mobile phones and the like with the system for secondary use of radio waves (planned to be established soon), to put in place, along with carrying out the investigation ahead of the next ordinary session of the Diet, an environment in which radio waves can be used effectively in the "Specified Ubiquitous Districts", in a way that will not cause interference, when radio frequencies for mobile phones are not in use.
(b) To put in place a system of experimental and other radio stations that will further reduce the processing for licenses, by announcing the radio frequencies ahead of time.

(3) Putting in place of environment
Relevant government ministries and agencies will also put in place an environment to promote the use of ICT in the "Specified Ubiquitous Districts."

(4) International cooperation
Not stopping domestically in terms of implementation, various schemes for international cooperation are being investigated, such as the setting up of specified districts in other countries also that would have specified characteristics ("Specified Ubiquitous Sister Districts").

3. Conditions
(1) Locations
These will be locations in Hokkaido, Okinawa, areas with a concentration of research and development facilities, and locations where there is multiple testing of projects.

(2) Period
To the end of FY2010 (deemed to be appropriate for users to complete the project)

Reference (project image)
- Development of services that will merge and coordinate fixed communications, mobile communications, and broadcasting, as well as other applications
- Combined project bringing together Japan's strengths in mobile devices, automobiles, consumer electronics and robots
- Development and testing of next-generation, state-of-the-art ubiquitous terminals
- Development and testing related to next-generation mobile phones

Image of "Specified Ubiquitous Districts"